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Priceless Input

Size

1BR/2BA

3BR/2BA

Studio

2BR 2BA

1BR/2BA

1BR/2BA

3BR/3BA

Amenities

End Unit

Balcony

With Utilities

Top Floor

Pets Allowed

End Unit

Corner

With staff involvement, the Laramar Group is optimizing the automated process of revenue management.

BY KERRY A. SULLIVAN

		Price
No Smoking	Up	900
W/D In Unit	Up	990
Laundry	Down	815
20-Mo. Term	Neutral	950
2nd Floor	Down	885
No Smoking	Up	900
Fitness Room	Up	995

Imagine that an apartment community has a healthy occupancy level in the mid-90s. The community's leasing staff is happy with current rent rates because they are generating steady leases, but the property manager thinks she can push prices up a bit more. Judging from competitors' rates and historical data, she figures that the community can afford to increase monthly rent rates and maintain steady demand, even though the revenue-management software her company uses suggests remaining at the current level. But who can override the system to accommodate this increase?

Enter a revenue-management pricing manager.

“You can’t buy the software, flip a switch and assume it will work.”

—Dave Woodward, CEO, The Laramar Group

The idea of using revenue-management programs to streamline business functions and generate funds is not a new one. But hiring someone to act as a liaison between software and staff—and incorporate feedback from Laramar’s property managers into the program—makes the Laramar Group uniquely successful.

That’s according to Laramar execu-

tives who instituted the program three years ago and Pricing Manager Patty Garver, whose daily duties are entirely devoted to managing Laramar’s revenue-management software program.

Garver calls and includes community managers on pricing decisions on a weekly basis. During those calls, Garver confirms that the program’s data generation is accu-

rate and overrides any aspects of the program that property managers think are not in line with competitors’ rates or appropriate for the current market place—whether that means adjusting prices up or down.

On the flip side, giving exclusive pricing control to corporate-level executives can inhibit buy-in from onsite property staff, Garver says.

“It leaves onsite staff feeling left out. But we didn’t want property managers left out of the process—they are the experts who live this every day,” she says.

Laramar CEO Dave Woodward credits the combination of the software and a pricing manager for Laramar’s revenue lift and occupancy levels in the high 90s across its portfolio.

“You can’t buy the software, flip a switch and assume it will work,” he says. “We’ve heard of companies that take this black-and-white approach, but it doesn’t allow onsite community staff to have ownership of the system. We’ve taken the approach to empower the field and let them have a say in pricing.”

Because property managers know they have influence in the program, they follow it, Woodward adds.

JoAnne Gannon, Property Manager at Laramar’s San Valiente luxury apartment homes in Phoenix, says Garver guides pricing decisions at her community, “But we definitely have to know our competitors to justify rate-change recommendations,” she says. “When we do need to override the program based on our observations of competitors’ rates or demand for certain units, Patty can make those changes within 30 minutes.”

Without someone in Garver’s role, Gannon says her community would have to wait until the following day for prices to adjust.

Program Logistics

Revenue-management programs are designed to optimize pricing technology. The automated software produces rent rates based on variables under review—including competitors’ rates, historical demand, lease activity and resident feedback—and often delivers rent lifts for communities not previously using the program.

“We are exceeding pricing levels we



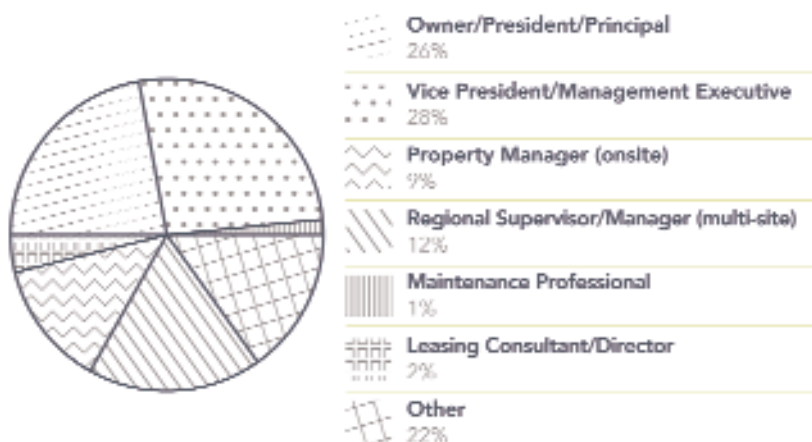
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Weekly Calls Help Laramar Assess Markets

Pricing Manager Patty Garver manages the revenue-management program from Laramar's corporate office in Denver. During her weekly calls with onsite managers, she and her colleagues discuss developments in individual markets, issues with the revenue-management software and instances where portions of the program need overriding.

Conversations during those calls follow this general outline:

1. **Occupancy.** What has changed and what's coming up?
2. **Actual pricing.** How vacant and soon-to-be vacant units are pricing, and is this in line with competitors' rates?
3. **Competitors.** What's going on at their communities, where are prices falling and what major changes can be expected?
4. **Traffic.** Are there patterns, or has it dropped off or increased?
5. **Renewals.** What percentage of residents are renewing, and what feedback is the company getting from people who are not renewing? —K.S.

had prior to using revenue management because we can make adjustments more quickly and we can kick rates a bit higher than what the software recommends, if we feel the market justifies the increase," says San Valiente's Gannon.

Woodward says that the revenue-management program's sales team told him he could expect a 2 percent to 4 percent revenue lift. After doing the math, Woodward discovered that even after factoring in the price for purchasing the software and hiring Garver as an in-house pricing manager, his company only needed to experience a 1 percent revenue increase to break even. Since beginning to use the program, though, Laramar has consistently seen a 3 percent revenue lift—2 percent of which is pure ancillary income.

The Selection Process

Many vendors offer revenue-management software, Garver says. Woodward had experience in using the product Laramar currently utilizes while he was employed at Archstone, which developed the program more than a decade ago. Prior to hiring Garver, Laramar executives researched revenue-management offerings and determined they needed the software and a dedicated staffer to manage it.

But candidates with multifamily experience weren't their targets, which is where Garver came in. As a former transportation industry pricing manager, Garver previously had filled the sought-after Laramar position—just in a different industry.

"The nuts and bolts of pricing are the same," she says. "The basic ingredients are the same. But transportation and multifamily housing are two completely different worlds. Even so, knowing the fundamentals in pricing was most important to the position."

The Laramar Group currently offers a third-party pricing service through its revenue-management software program. The service is ideal for companies thinking about using the software, but who aren't large enough to justify the full cost. For a fee, a company can have its pricing handled by Laramar staffers, while benefiting from Laramar's bulk software purchase discount. For information, contact Laramar's Patty Garver at pgarver@laramar-group.com.

Pilot Program Rollout

When Laramar hired Garver in 2007, her first assignment was to familiarize herself with the revenue-management software. Once she was fully acclimated, she rolled out the program "aggressively" to different markets, but ultimately with the end-user—onsite staff—in mind.

Laramar has approximately 20 metro markets in its portfolio of more than 30,000 units; roughly 25 percent of its properties are in-house owned and managed and the other 75 percent are fee-managed. The company tested the program on a mix of properties it both owns and manages, and also on properties it

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Software Benefits

1. Generates more ancillary revenue.
2. Frees onsite staff to focus on customer services over pricing.
3. Manages lease expirations, allowing price to be a driver in promoting certain lease terms over others.
4. Adjusts pricing proactively instead of reactively and bases decisions off of availability, future availability, seasonability and competitors' prices.

Prior to using a revenue-management system, Laramar mainly stuck with standard 12-month leases, says Garver. But through using revenue-management, its communities can offer anything from two-month to 24-month lease terms, with rent rates that correspond accordingly.

Additionally, notes San Valiente's Gannon, at lease-renewal time, Garver recommends rent percentage increases at three different price levels for resident negotiations, with a baseline pricing level she doesn't want the community to drop below. —K.S.

only manages. It used its fee-managed properties to demonstrate the benefits of the system to the owners.

Selecting five pilot properties—one of which was Gannon's San Valiente—required careful consideration.

"We wanted to benchmark, to see if we really could generate more revenue using the program," she says. "We picked properties that could be compared to additional properties in the same market or submarket."

Then, over six months, Garver measured occupancy changes, revenue growth and other determining factors—all of which experienced marked improvement. The evidence was undeniable: properties using revenue-management software performed better.

At that point, Laramar's executive management decided to roll out the program to the rest of its owned and fee-managed portfolio. At press time, Garver was managing the program at 32 properties; by year-end, she says the program will be expanded to include 15 additional properties.

An integral ingredient to the program's success has been support from Laramar's C-level executives, Garver says.

"Their positive attitudes toward revenue-management integration trickle down," she adds.

Implementing Elsewhere

Not every company has a position dedicated to pricing, as Laramar does. Justifying the creation of a new position for a largely automated process can be difficult, says Garver.

"You don't have to have a person to run the process, but it won't work as smoothly as it would if you were to hire someone," she says.

She adds that although people she's spoken with who are in the early stages of implementation are leery of hiring a new staffer to manage the program, they eventually recognize the value.

"I don't know anyone who has been using revenue-management software for more than a couple of months and who doesn't have a staffer dedicated to running it," she says. "My sole job is running this program, and it definitely fills my day." ■

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